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C O N F I D E N T I A L SECTION 01 OF 02 TAIPEI 001104

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SUBJECT: TAIWAN'S MAINLAND AFFAIRS MINISTER GIVES UPBEAT ASSESSMENT OF CROSS-STRAIT TIES

REF: A. TAIPEI 1082
1B. TAIPEI 1074

Classified By: The Director for Reasons 1.4 (b/d)

11. (C) Summary: Mainland Affairs Council Chair Lai Shin-Yuan gave a particularly upbeat assessment of cross-Straits ties during Director Stanton's introductory meeting on September 19. She said China's objections to the Dalai Lama's visit and to the U.S. military's typhoon relief efforts in Taiwan should not damage the long-term trend of improving cross-Straits relations. The next SEF-ARATS high-level meeting would be held by year's end, Lai said, as she predicted the two sides would sign a much-anticipated trade agreement in the first half of 2010. Lai, who was a controversial choice to head the Council because of her earlier affiliation with an independence-minded political group, was voluble in her defense of opening the door to China and said she often traveled the island to sell the policy to skeptics.

DALAI LAMA VISIT WON'T HARM CROSS-STRAIT RELATIONS

12. (C) Mainland Affairs Council Chair Lai Shin-Yuan told Director Stanton on September 9 she foresaw no long-term damage to relations with China from the Dalai Lama's visit and the U.S. military's typhoon relief efforts in southern Taiwan. Indeed, she said, the Dalai Lama's visit was "very constructive" in helping China and Taiwan learn to manage potentially disruptive events in what she described as a complicated and evolving relationship. While mutual trust between the two sides had increased since President Ma Ying-jeou took office last year, Lai said it still needed to deepen. She also told the Director said she was encouraged by the U.S. Government's continued support of improved cross-Straits relations.

FULL-STEAM AHEAD WITH CROSS-STRAIT AGENDA

13. (C) Daily contact between Taiwan's Straits Exchange Foundation (SEF) and China's Association for Relations Across the Taiwan Strait (ARATS) had continued despite the Dalai Lama visit, according to Lai, and the fourth high-level meeting of the two groups should take place before year's end. Working groups were meeting to hammer out agreements on double taxation, the inspection and quarantine of agricultural products, standards and inspection certification, and fishery and labor cooperation, for signing at that meeting.

14. (C) Lai said an Economic Cooperation Framework Agreement (ECFA) would not likely be ready for the next SEF-ARATS

summit. She said both sides were actively preparing for "serious negotiations" that originally were planned to start in October but might be slightly delayed because of Taiwan's preoccupation with domestic issues such as Typhoon Morakot recovery. Still, she expected negotiations would be quick and a deal would be signed in the first half of 2010. (Note: Lai's account of the ECFA timetable jibes with what we've heard from the Ministry of Economic Affairs, which leads the negotiations. A senior ministry official recently told us that negotiations may begin in late September and that Taiwan hoped to conclude an agreement early next year. (septel) End note.)

SEEKING MORE INTERNATIONAL SPACE

¶15. (C) In response to the Director's question on whether China would support Taiwan negotiating free-trade agreements with trading partners once ECFA was in place, Lai said she did not believe China would give public approval. She said Taiwan was trying to convince China's leaders FTAs were essential to the island's economic development and were not politically motivated. She expressed hope that Beijing "eventually would reach some understanding this is not a big deal." She noted many people doubted China would ever agree to Taiwan participating in the World Health Assembly but nonetheless allowed a Taiwan observer to attend the international body's meeting last May.

¶16. (C) When the Director noted outgoing Foreign Minister Francisco Ou had told him China's initial reaction had not

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been positive to Taiwan's desire to participate in international organizations on climate change and civil aviation, Lai acknowledged that was par for the course. Still, she expressed optimism that through additional engagement and the building of mutual trust China would gradually become more positive. She stressed that Taiwan's goal at the United Nations was to become a meaningful participant in international organizations.

COMMENT: CHEERLEADING FOR CROSS-STRAIT TIES

¶17. (C) Lai was a controversial choice to head the Mainland Affairs Council because of her previous affiliation with the pro-independence Taiwan Solidarity Union. Yet during her hour-long meeting with the Director she exuded enthusiasm for Ma's open-door China policy. She also gave the most optimistic assessment of cross-Strait ties among the officials the Director had met in his first two weeks at Post. Lai acknowledged 30 to 40 percent of Taiwan people remained skeptical about Ma's improved relations with China, adding she frequently visited pro-independence strongholds in central and southern Taiwan to sell the policy and understood the need to reassure them. Indeed, as the Director rose to leave, Lai gave him a bag full of Council publications and a 45-minute DVD on cross-Strait relations. Her parting words were a lengthy explanation of the design on the bag for which she proudly took personal credit: Side-by-side doors swinging open, each protected by a fierce-looking guardian, next to the slogan, "As the doors open, we will watch our home."

STANTON